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FISCAL IMPACT STATEMENT

LS 7113

BILL NUMBER: HB 1470

NOTE PREPARED: Feb 21, 2009

BILL AMENDED: Feb 19, 2009

SUBJECT: Medicaid.

FIRST AUTHOR: Rep. Pelath

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: X GENERAL
DEDICATED
X FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill requires the Select Joint Commission on Medicaid Oversight (Commission) to study the impact of changing health facility reimbursement to a price-based reimbursement system.

The bill requires the health facility Quality Assessment Fee (QAF) to be the maximum amount allowed by the federal government (5.5% of net patient revenues).

Effective Date: (Amended) Upon passage; July 1, 2009.

Explanation of State Expenditures: (Revised) *Select Joint Commission on Medicaid Oversight:* This bill would require the Select Joint Commission on Medicaid Oversight to include this topic in the Commission's work plan for the 2009 interim session. During the 2008 interim, the 12-member Commission held four meetings and spent approximately \$9,400. Legislative Council resolutions in the past have established budgets for interim study committees in the amount of \$9,500 per interim.

(Revised) *Quality Assessment Fee:* This bill would increase the amount of Medicaid reimbursement for nursing facilities as a result of an increase in the QAF and would extend the QAF for four years through FY 2013. The current statute requires that 80% of the QAF collected, must be used to leverage federal Medicaid matching funds to increase nursing facility reimbursement, targeting specific uses. The remaining 20% of the estimated QAF must be used to offset Medicaid costs incurred by the state. Should federal financial participation become unavailable to provide for the additional reimbursement, current law provides that the Office of Medicaid Policy and Planning (OMPP) will cease to collect the QAF. The amount of increased reimbursement for

nursing facilities available would depend on whether the federal Centers for Medicare and Medicaid Services (CMS) approves an increase in the QAF.

The bill would require OMPP to apply to CMS for approval to increase the amount of the QAF to the maximum percentage allowed by federal law. Medicaid waiver and plan amendments are generally considered to be administrative in nature and achievable within the current level of resources available to the OMPP. However, OMPP may be required to revise the current assessment methodology. It is not known if OMPP would require additional resources to revise the QAF. [This information will be supplied when it is available from OMPP.]

The Medicaid program is jointly funded by the state and federal governments. The state share of program expenditures is approximately 36%. Medicaid medical services are matched by the federal match rate (FMAP) in Indiana at approximately 64%. Administrative expenditures with certain exceptions are matched at the federal rate of 50%.

Explanation of State Revenues: (Revised) *Extension of the QAF:* Extending the authorization for the collection of the QAF and the related increased expenditures from August 2009 to August 2013 would authorize an estimated annual collection of about \$100 M for each of FY 2010 and FY 2011 if nursing facility days remain constant. The total annual collections and the state share of the collections are as follows.

Fiscal Year	QAF Collections	State 20% Share
FY 2006	\$ 333.9 M	\$ 62.7 M
FY 2007	\$ 108.3 M	\$ 21.7 M
FY 2008	\$ 107.7 M	\$ 21.5 M
FY 2009	\$ 102.1 M	\$ 20.4 M
FY 2010*	\$ 100.9 M	\$ 20.1 M
FY 2011*	\$ 99.9 M	\$ 19.8 M
* Estimated.		

The amount of funding that would be raised by increasing the assessment to the maximum level of collections allowable is not known at this time. [This information will be supplied when it is available from OMPP.]

(Revised) *Background:* In the current model approved by CMS, the amount of the QAF is based on a nursing facility's total annual patient days. Quality assessments of \$10 per non-Medicare patient day are to be collected from nursing facilities with total annual patient days of less than 70,000 days. Facilities with annual patient days equal to or greater than 70,000 days will be assessed \$2.50 per non-Medicare day. Local government-owned nursing facilities will be assessed \$2.50 per non-Medicare patient day, as well. Nursing facilities that are continuing care retirement communities, hospital-based, or owned by the state are exempt from the QAF. It is not clear from the bill if the methodology would have to be changed from the current model to collections based on net patient revenues.

Explanation of Local Expenditures: County-owned nursing facilities would be required to pay an increase in the Medicaid QAF.

Explanation of Local Revenues: County-owned nursing facilities would potentially receive an increase in reimbursement as a result of leveraging additional federal dollars through the QAF. Individual circumstances would determine if a facility would receive more revenue than is paid out for the QAF.

State Agencies Affected: OMPP, Family and Social Services Administration.

Local Agencies Affected: County-owned nursing facilities.

Information Sources:

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